

TRANSCRIPT

Making Sense of the Economy: Introduction to the Doughnut

Rohan Hazell:

What comes to mind when you think of the economy? Where did the idea of an economy even come from? What purpose do you think it serves?

Most of us take its existence for granted. We accept at face value the notion that the economy is driven by market forces and that state intervention is unnecessary or even counterproductive to growth. But is this actually the case?

We'll address these questions with Kate Raworth, an economist from Oxford University and author of the acclaimed book *Doughnut Economics: Seven Ways to Think Like a 21st Century Economist*.

She unpacks the purpose of the economy, and explains why and how we must be proactive in designing economies that prioritise the wellbeing of people and the planet.

Kate Raworth:

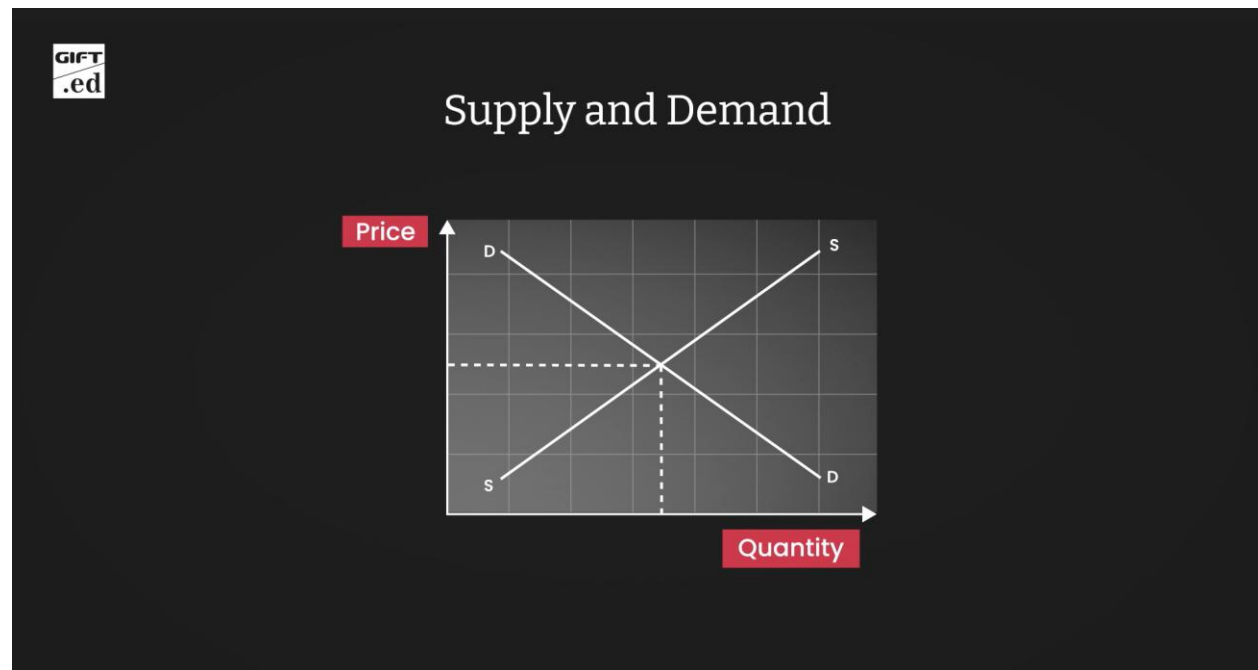
What is the purpose of the economy? You know what? I wish this question had even been asked when I was a student, because I will tell you that the world over, when people study economics, this question doesn't get discussed. It's barely a topic. But it's the most important question, because if we don't know what we think the purpose of the economy is, how on earth will we know what we think success looks like?

So let's go back to the ancient Greek roots of the word economics. It actually comes from two Greek words, Oikos, which means household, and Nomos, which means the management of, or the norms of something. So the norms of the household. The management of the household. Now, in the 21st century, when we are so profoundly interconnected on this living planet, the household is surely our planetary household. And so the management of our planetary household, in the interest of all her inhabitants, humanity and surely the rest of life.

To me, that is 21st century economics. In lecture theatres the world over, students gather for their first lecture in economics. And to me, it's a really fascinating question. What is the first

concept that they encounter? Surely it would be, what is the purpose of economics and of the economy? But, you know, it isn't. In fact, I would ask anybody watching this, if you've ever studied economics in any form, what's the first diagram that comes to mind? I tell you, it's the same the world over. It's supply and demand.

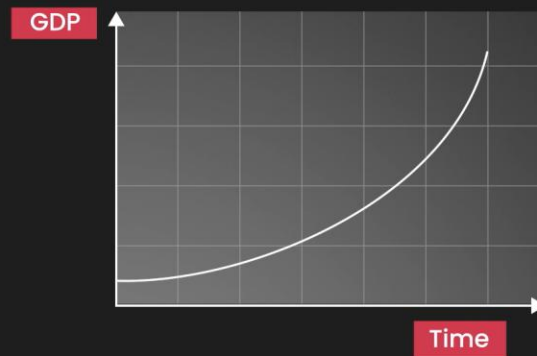
I have asked hundreds of roomfuls of students, what's the first diagram you remember learning? And they all chant as if they'd pre-planned the answer: Supply and demand. This is a diagram about the market, the supply of goods in the market and the customers demanding it. And it criss-crosses at a point where that makes the price of the product.



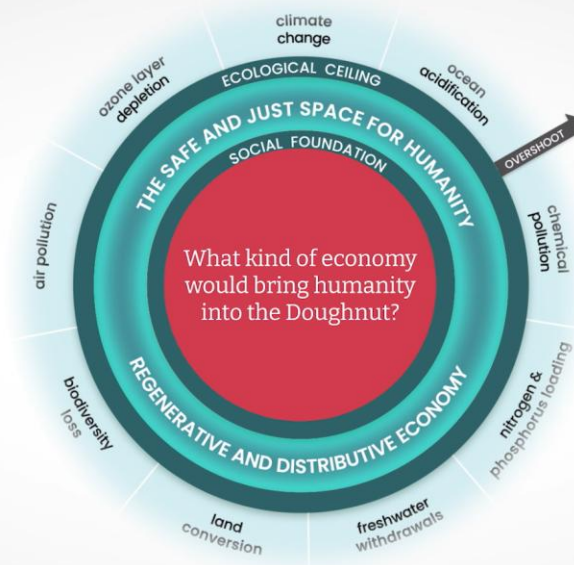
Now, it's a useful model in some ways, but it's very strange to me that this is where we begin, because when we begin here, we're totally focused all of a sudden on markets, as if the economy is the market.

No, it's many, many other things beyond that. But we've gone and put all of our attention on the market. It puts price at the centre of our concerns. Suddenly this is the metric we're talking about, price, and it means anything that falls outside of market transactions is called an externality, and we can come back to that later. Now, when we start with markets, well, what would it mean for a market to succeed? What's the purpose? It's a very quick pathway to saying that the purpose is growth and success will be GDP growth, markets producing more and more economic value, and so success is surely an ever rising GDP.

GDP Growth

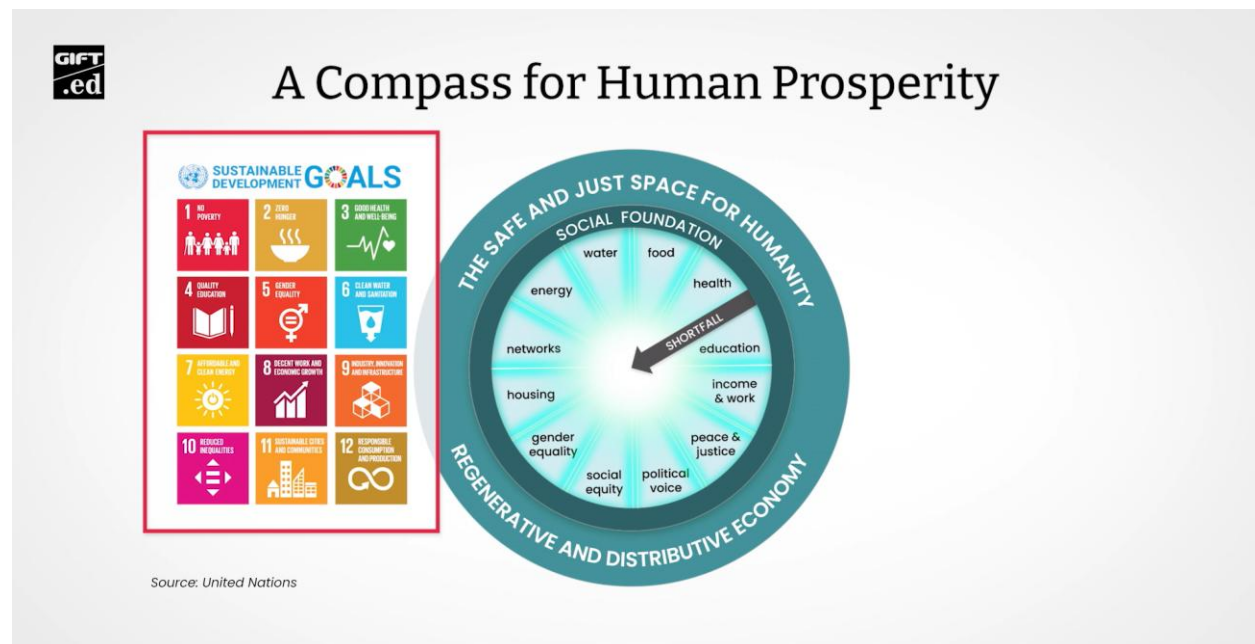


Hear that purpose spoken in the speeches of politicians. The world's over. We can hear it in the lectures from economics professors. It's implicit, and I believe this is just a completely inadequate concept as the goal for the purpose of the economy. I would love economics lectures the world over to start with a very different question to start with the doughnut, which I'm going to introduce to you now.



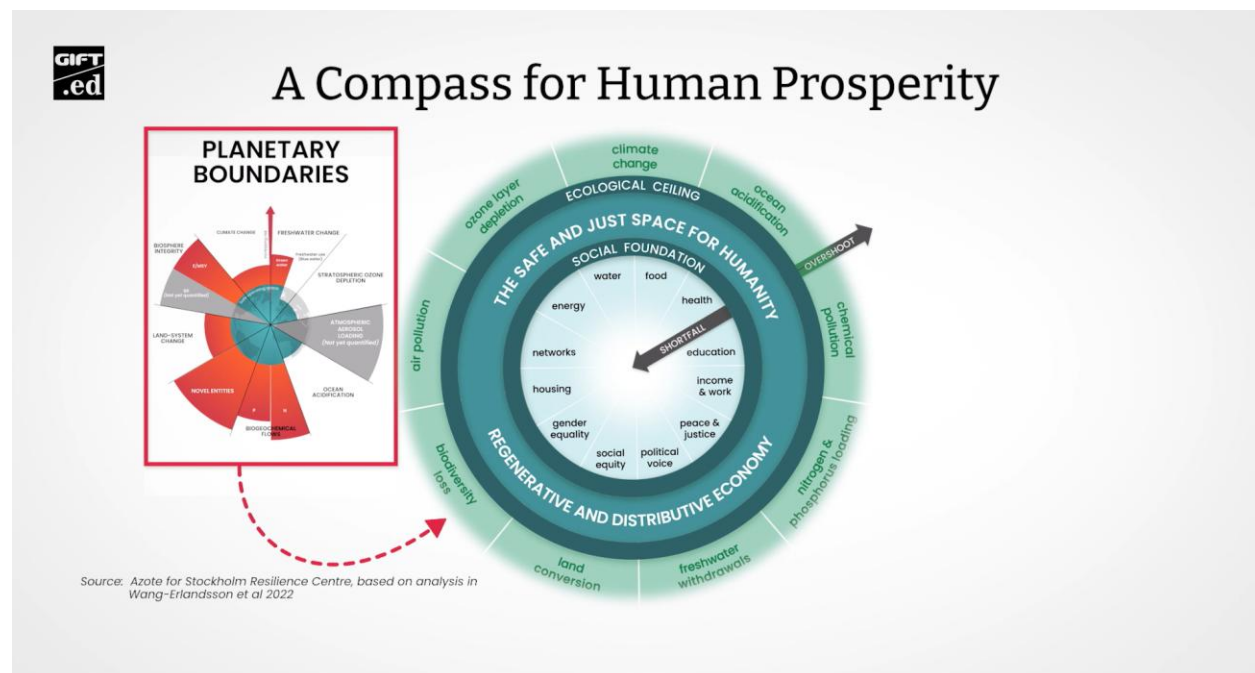
What kind of economy would bring humanity into the doughnut? A space where we meet the needs of all people within the means of the living planet. That is what I think is the purpose of the economy and the meaning of 21st century household management.

So let me introduce you to the one doughnut that actually turns out to be good for us. Think of it as a compass for human prosperity in the 21st century. Now, what's going on here? Imagine humanity's use of earth's resources radiating out from the centre of that picture. So the hole in the middle of the doughnut is a place where people are falling short on the essentials of life. It's a place where people do not have the resources they need for good food and decent housing and healthcare, and a good education, transport connections, income, equity, political voice. It's a place where people are falling short. And the power of this is that these twelve dimensions, I crowdsourced them from the world's governments. They are the social dimensions set out in the sustainable development goals.



The power of that is that all the governments in the world have already agreed that every person in the world has a claim to meeting these essentials. Leave nobody falling short, leave no one in the hole. First step now we know that as we aim to use Earth's resources to meet these essential needs and many wants beyond them, we start converting forests into timber. We extract fish from the sea. We emit carbon emissions into the atmosphere. We convert land for food and materials, we build on the earth for cities, and we start putting pressure on the life supporting systems of our planetary home.

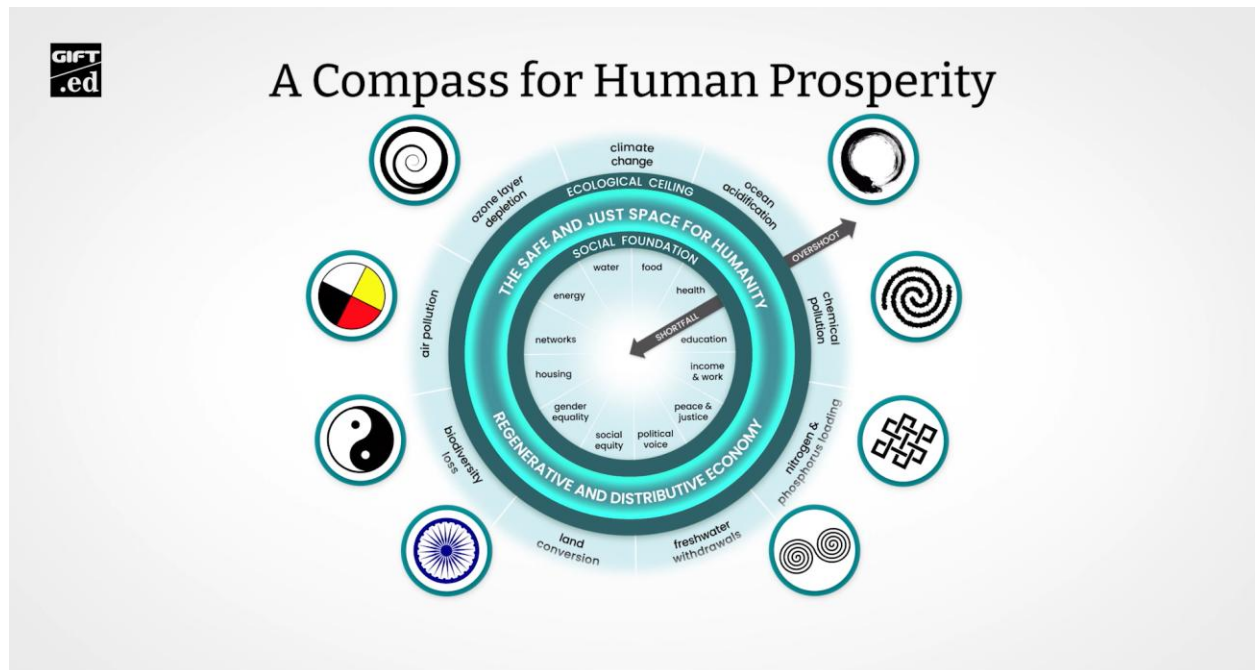
Our emissions start creating climate change and they acidify the oceans. We convert so much land that we begin to lose biodiversity. We withdraw so much water from the lakes and rivers, we start to drain them dry. We create so much plastic waste that we are polluting with microplastics that go into the web of life. So around the edge of this is an ecological ceiling beyond which we should not go, because these are the life supporting systems of our planetary home. And these nine ecological dimensions come from the concept of planetary boundaries created just over a decade ago by Earth system scientists, who said, these are the life support systems of this unique and delicately balanced living planet in the universe.



We'd be crazy to overshoot our pressure on this planet. So let's put these together, leave no one in the hole, but don't overshoot the limits. We need to meet the needs of all people within the means of the living planet. So we want to thrive in that green donut space in between. It's an ecologically safe and socially just space for humanity. That is the vision of the Doughnut and I offer it as a compass for human prosperity.

Let me add that when I drew this first in 2012, just over a decade ago, I was amazed by the response that it got. I was amazed by how many people were excited, empowered and mobilised by it. And I started to ask myself about the power of pictures. And then I looked at the way that many other cultures, away from the western mindset, had for millennia, depicted their vision of health, of wealth, of well being. And I was astounded and humbled to see that other cultures, indigenous cultures, have long, long known that this shape of a dynamic circle,

it's circular, and there's some sort of dynamism within that has been used as a symbol of well being and health and thriving across the world. So suddenly you realise that it's actually the western economic mindset that is the outlier. It's only the western mindset that has thought that growth endlessly is somehow a good shape of progress.



And I ask myself whether the doughnut can be like a recovery programme from this mindset of endless growth. Can we, through the doughnut, start moving towards the wisdom that has long been held in these other cultural views? Can we learn from them? Can we create our own pathway back to that much deeper sense of thriving, rather than endlessly growing? So that is the Doughnut and its goal of transformation.

Rohan Hazell:

Economic development has become synonymous with growth at all costs, but it has also become clear that this is unsustainable and nor does growth for growth's sake reflect the true purpose of the economy.

Instead, Kate Raworth suggests that we must design and develop economies that sustainably manage the Earth's resources to provide basic needs for all while remaining within our planetary boundaries. That is, to ensure that humanity lives and thrives within the Doughnut.